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FISCAL IMPACT REPORT

SPONSOR: Larranaga DATE TYPED: 02/27/03 HB 687

SHORT TITLE: Southeast Albuquerque Economic Development SB _____

ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$204.3			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 785 except for the amount of the appropriation and its term
 Relates to SB 271, HB 133 and SB 134

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Economic Development Department

SUMMARY

Synopsis of Bill

House Bill 687 appropriates \$204.3 from the general fund to the Economic Development Department for the purpose of contracting for business incubation services in southeast Albuquerque. The bill states that the contract can include program development, operating costs, outreach, and development of evaluation tools.

Significant Issues

Although EDD did not identify the relevant business incubator that would be funded by this bill, it is presumably the incubator being planned by the Southeast Community Alliance in Albuquerque. According to a 2002 EDD report on business incubation, the SCA is a non-profit organization seeking to promote and develop entrepreneurship for minorities. The incubator being planned would be a multi-purpose incubator that would encourage and sustain new business activity in the area.

According to EDD's report, there are currently no economic development or multi-purpose incubators in the Albuquerque area. Previous business incubators in Albuquerque have been unsuccessful.

Neither the bill nor EDD explains how the incubator will receive the majority of its program and operating costs. The National Business Incubation Association has found that incubation programs are more likely to be successful when there is strong local support.

FISCAL IMPLICATIONS

The appropriation of \$204.3 contained in this bill is a recurring expense to the general fund. Unless the incubator has a business plan to cover its operating costs every year, it will likely require state assistance on a recurring basis.

Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

EDD is concerned that there are no funds attached to the bill for administration, evaluation and auditing costs.

ADMINISTRATIVE IMPLICATIONS

EDD believes it does not currently have the staff to administer this program.

DUPLICATION AND RELATIONSHIP

This bill duplicates Senate Bill 785 in all respects except the appropriation and its term. SB 785 appropriates \$500.0, versus the \$204.3 in this bill. However, the appropriation in SB 785 could be used through FY 2006.

This bill relates to HB 133 and SB 271, both of which appropriate \$500.0 to support a business incubator in Santa Fe.

The bill also relates to HB 134, which appropriates \$1,500.0 to EDD to administer a *statewide* business incubation program. This is the approach that the 2002 EDD report recommended. The report said that a statewide incubator programs could provide a means of continued education and support to incubator managers and also enable incubator tenants to become aware of other incubated companies in New Mexico with which they may be able to work.

POSSIBLE QUESTIONS

1. Is this appropriation intended to fund a contract directly with a non-profit business incubator?
2. Is this business incubator affiliated with a university or other educational institution?
3. Is the City of Albuquerque providing support to the incubator?
4. Would a statewide business incubator program, such as that proposed in HB 134, be preferable to support for individual programs?

LP/yr